



## Workforce Development Specialists

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# Memorandum

To: Nancy Eilks and Karen Pfeil, DWD-DET

From: Steve Terry, Executive Director – Northwest Wisconsin CEP, Inc.

Cc: Dan Racette, NWCEP, Inc. Chair & LeRoy Forslund, NWWIB, Inc. Chair

Date: May 20, 2010

Re: Financial Review Responses – Northwest Wisconsin CEP, Inc.

The Wisconsin Office of Recovery and Reinvestment (ORR) contracted with Jefferson Wells to conduct an on-site review of Northwest Wisconsin Concentrated Employment Program (CEP) as a recipient of Recovery Act funding. Following are CEP's responses to the observations noted from the on-site fieldwork performed March 1 - 3, 2010.

### Observations

Northwest Wisconsin Concentrated Employment Program (CEP), policies and procedures appear to be well established and the related controls appear to be operating effectively. No material weaknesses in internal controls were noted. Observations were made regarding the agency's Whistleblower Process, Conflict of Interest Policy, Background Checks, and Segregation of Duties.

### Whistleblower Process:

CEP has a written policy and procedures for reporting and resolving grievances/complaints. The established guidelines include provisions for escalating an issue to higher levels (i.e., to the next and subsequent supervisory levels) if the employee is not satisfied with how the concern has been resolved. However, there is no mention of how the employee grievance or complaint should be reported if it involves the Executive Director.

### Response:

CEP agrees with this observation. On April 21, 2010 the CEP, Inc. Board of Directors approved adding a new statement to the current CEP, Inc. Employee Handbook: Section 600 Conduct,

**Northwest Wisconsin Concentrated Employment Program, Inc.**

*Strengthening the economy by providing effective and efficient workforce development services to businesses and workers.*

Discipline and Grievances/Complaints; 605 Staff Complaint Procedure; Step Three: *In the event the Executive Director is the subject of the grievance, the Board of Directors should be notified through the Board President or member of the Personnel Committee.*

Conflict of Interest Policy:

CEP has written Conflict of Interest (COI) and Rules of Conduct policies. All new employees receive these policies and must acknowledge in writing their receipt and understanding of them. This awareness includes a provision within the policy that "in the event a potential conflict does arise, its nature and extent must be fully disclosed immediately to the Executive Director." New board members are made aware of the COI policy during their initial orientation. However, senior management and board members are not required to periodically submit (e.g., annually) COI disclosure statements indicating whether or not they have a potential conflict.

Response:

CEP agrees with this observation. On April 21, 2010 the CEP, Inc. Board of Directors approved a procedure whereby CEP and NWWIB board members and senior CEP management will disclose annually whether or not they have any potential conflicts of interest. This procedure will occur each year in May or June by having employees and board members complete and sign a Conflict of Interest Disclosure Statement form.

Background Checks:

Criminal background checks were discontinued some time ago. The Human Resources Manager indicated that one has not been conducted for any new hire in the four years he has been with CEP. It is outside legal counsel's opinion that an organization needs to be careful using the results of a criminal background check as the basis for not hiring an individual. Besides the interviewing process, reliance is placed on checking references when making the hiring decision. Periodic background checks, in particular, for employees transferring to positions of management or cash handling functions or for those employees involved in programs with potential liability (e.g. interaction with children, access to recipient homes, etc.) are important to reduce risk to the agency.

Response:

CEP agrees with this observation. On April 21, 2010 the CEP Board of Directors approved adding new procedures to the current CEP, Inc. Employee Handbook: Section 700 Employee Recruitment Packet; 707 Background Screening. The procedure states: *All offers of employment at NWCEP, Inc. are contingent upon clear results of a thorough background check. Background checks will be conducted on **all** newly hired staff members and on all employees who are promoted, as deemed necessary.* The added subsection also identifies the potential types and extent of background checks that may be utilized during the review hiring procedure.

Segregation of Duties:

The lack of segregation of duties increases the risk that errors and/or fraudulent activities will be perpetrated and not detected timely. The Finance Director is the security administrator for the SAGE MIP financial system. CEP's board is comfortable with this situation based on mitigating controls that are in place including: 1) the Finance Director does not have access to the locked cabinet storing blank check stock, and 2) two board members perform a periodic review of randomly selected key items (cash receipts, disbursements, journal entries and credit card transactions). The review of these items is detailed on a standard form which includes their sign off. However, the risk in this area could be further reduced if the Finance Director's permission right was removed on the financial system for entering manual check transactions.

Response:

CEP agrees with this observation. Immediately after completion of the on-site review, the Finance Director's permission rights were removed from the MIP financial system for entering manual check transactions.